

October 25, 2001

The Honorable Mayor Susan W. Kluttz,
City Council, City Manager,
and the Citizens of the
City of Salisbury, North Carolina

We are pleased to submit the Comprehensive Annual Financial Report (Report) of the City of Salisbury (City) for the fiscal year ended June 30, 2001 (FY01). We are particularly proud of the fact this Report has been entirely prepared by the City's Finance Department. Responsibility for both the accuracy of the data presented and the completeness and fairness of presentation, including all disclosures, rests with the City. We believe the data is accurate in all material respects, and it is presented in a manner designed to set forth fairly the financial position and the results of operations of the City as measured by the financial activity of its various funds. All disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included. The accompanying financial statements have been audited by McGladrey & Pullen, LLP, an independent firm of certified public accountants, and their opinion is included in the Report.

GENERAL

The financial statements have been prepared in compliance with applicable requirements of the General Statutes of North Carolina and are consistent with the standards and guidelines recognized for governmental accounting and reporting contained in both *Audits of State and Local Governmental Units*, an audit guide prepared by the Committee of Governmental Accounting of the American Institute of Certified Public Accountants (AICPA) and *Government Auditing Standards*, issued by the Comptroller General of the United States. Among the other resources used in the preparation of the financial statements, the Finance Department Staff has given particular attention to the *Governmental Accounting, Auditing and Financial Reporting* (GAAFR) issued by the Government Finance Officers Association of the United States and Canada (GFOA), and Governmental Accounting Standards Board (GASB) pronouncements.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical, and compliance. The introductory section includes this transmittal letter, organizational chart, a list of principal officials, and facts and information about the City. The financial section includes the general purpose financial statements, the combining and individual fund and account group financial statements, and other schedules, as well as the auditor's opinion on the financial statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

The City is also required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendment of 1996, the State Single Audit Implementation Act, and U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Information related to the compliance audit and the schedule of expenditures of federal and State awards are included in the compliance section of this Report.

The City participates in the Certificate of Achievement for Excellence in Financial Reporting awards program sponsored by the Government Finance Officers Association of the United States and Canada. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

The City's Comprehensive Annual Financial Report for the year ended June 30, 2000, was awarded a Certificate of Achievement for Excellence in Financial Reporting. A Certificate of Achievement is valid for a period of one year only. We believe our current Comprehensive Annual Financial Report meets the Certificate of Achievement Program's requirements and intend to submit it to the GFOA to determine its eligibility for another certificate.

ECONOMIC CONDITION AND OUTLOOK

The City of Salisbury is located in the heart of North Carolina. Situated along the I-85 corridor which links the community to the state's economic centers, the City is located midway between two major metropolitan regions: Charlotte to the south, and the Piedmont Triad (Greensboro, High Point and Winston-Salem) to the north. In addition to the interstate highway, the City is also served by two major rail lines which intersect in town and an airport on the outskirts of the community. This location offers widely diversified employment opportunities for residents in areas ranging from financial, educational, medical, and governmental to industrial and research activities. In summary, the diverse local economic base and long-term planning coupled with the region's advantages have made the City an attractive place to do business and to live.

The location also allows the City to serve as a trading and distribution center for the County and portions of surrounding counties. Although the nation's economy has slowed during the past fiscal year, the effect on the City has been minimal. Gross retail sales in Salisbury for the twelve months ended June 30, 2001, decreased slightly by 1.3%, or nine million dollars, to \$666,385,246 from the prior fiscal year. Total Rowan County sales decreased by ten million dollars, slightly less than one percent, to \$1,081,783,994. The City has had some recent additions to its largest retail center, which should help to stabilize the City's retail sales until a projected upswing in the economy in 2002.

The prevailing economic conditions have taken a toll on the region's unemployment rates. While Salisbury has typically fared well economically in comparison to many other locales, the area has not been exempt from the rise in unemployment over the past twelve months. The average unemployment rate for Rowan County over the twelve months ended June 30, 2001, was 6.5%, up significantly from 3.8% in 2000. The average unemployment rate for the State of North Carolina was 4.3% during the same period, up from the previous year's rate of 3.2%. The county's high average unemployment rates may be somewhat skewed due to large fluctuations in the monthly totals which were attributable to temporary layoffs. Rowan County's unemployment rate for June 2001 was 4.7%, compared with 5.1% for the state. Other than the layoffs, the unemployment rates have been adversely affected by the closing of several local businesses, particularly in the textile industry.

In contrast to the negative economic news mentioned above, the City's downtown area continues to go against the trend of retail exodus to area malls. The downtown business district is a thriving retail center for area merchants. The City continues to support and encourage the revitalization of the downtown business district that began in the early 1980's. Since that time a total of almost \$60 million has been invested in the redevelopment of Salisbury's downtown. The number of businesses operating in the downtown area increased by three during FY01 and the quality of those businesses has enhanced the downtown retail environment. The story of downtown Salisbury is one of public-private partnerships committed to maintaining our place as one of the best downtown districts in North Carolina.

The City's proximity to the State's metropolitan regions provides many advantages and challenges. The Piedmont is one of the country's largest growth corridors. In these slowing economic conditions, the City's management, the City Council, and the citizens continue to explore and develop goals and plans to keep the City of Salisbury financially sound while providing the services domestic and corporate citizens require.

MAJOR INITIATIVES

During FY01, the City of Salisbury began and continued several efforts focused on the concerns, wants and needs of its citizens which have been identified in recent Municipal Service Surveys. These efforts were made and accomplished in spite of the difficulties in trying to balance the citizens' needs and attain goals with the limited financial resources available. The City continued to make major strides toward meeting those wants and needs during FY01. Five areas worth noting were the continued progress in the City's improvement of neighborhoods, the construction of a comprehensive sports complex, the accreditation of the Salisbury Parks and Recreation Department, a new working agreement with Rowan County, and continued revitalization of downtown Salisbury.

The improvement of City neighborhoods and communities is one of the foremost goals that came from the City Council's Annual Future Directions and Goal Setting Conference. One of the City's key projects is the revitalization of the Park Avenue neighborhood. In December 2000, the City's Park Avenue Neighborhood Plan won a prestigious first place award from the National League of Cities. The Park Avenue Plan has addressed several of City Council's primary goals: neighborhood improvement, safer communities, affordable housing, improved parks, and better race relations. This project also is a prime example of the City's holistic approach to problem solving in which multiple City departments come together to develop well-rounded and balanced solutions. Projects in the Park Avenue revitalization efforts have included the renovations of homes and an apartment complex, construction of the new Cannon Park, and the clean-up of the Tar Branch creek, which had been used extensively as a dumping site for any type of trash imaginable.

Another of City Council's goals is to provide quality recreation services through attractive, well-maintained parks. The City's Parks and Recreation Department took a major step forward in meeting this goal during FY01. The City officially opened its new 314-acre Salisbury Community Park and Athletic Complex in April 2001. The completed Phase I of the park includes four soccer fields and three baseball/softball fields. Phase II and Phase III, which are almost complete, include a 5-mile trail around an 8.5-acre lake, concessions and restroom facilities, shelters, and additional baseball/softball fields. The park promises to be a big draw for local residents and from visitors for regional sports tournaments.

City Council also desires to maintain the quality management of the City and each of its departments. One way of validating the quality of a City department is to seek national accreditation. Gaining national accreditation was a goal that the Parks and Recreation Department set for itself five years ago. In the fall of 2000, the Salisbury Parks and Recreation Department became only the second such department in North Carolina to earn national accreditation. The department demonstrated the quality of the services it provides by meeting all 153 criteria of the Commission for Accreditation of Park and Recreation Agencies. The evaluation team listed as the department's strengths its strong leadership and staff professionalism, exemplary community support, and outstanding strategic planning.

A major accomplishment of the past fiscal year was an agreement between the City and Rowan County to work together to solve water needs throughout the County. This landmark agreement will go a long way to meet the Council's goal of developing and maintaining a climate of City-County cooperation on projects of mutual interest and concern. The agreement paves the way for the City to provide water to at least one, and maybe two, new electric generating plants and to other municipalities in Rowan County. Therefore, the City will be able to add needed water customers at no cost to ratepayers.

One major step in the redevelopment of the downtown area was the City's purchase of the former Flowers Bakery property in July 1997. During FY01, the City sold the remaining parcels of that property to various developers. These developers have renovated the old, dilapidated warehouses into upscale offices. On a corner lot that was previously vacant, construction is underway on an office building that is designed to look like buildings that were lost during Urban Renewal. This new office building will be a model for future infill construction. Because of these renovations and new development, the City re-couped its entire initial investment in the Flowers Bakery property. Other significant additions to the downtown district in FY01 were renovation of the National Sportscasters and Sportswriters Museum and the construction of the Gateway Building, which houses the Rowan County Chamber of Commerce, the Rowan County Economic Development Commission, and the Rowan County Convention and Visitors Bureau.

FUTURE DEVELOPMENTS

The City's downtown revitalization is far from complete. The Downtown Master Plan Committee recently completed a market-driven plan that will guide development for the next twenty years. Approximately \$10 million of investments will be made in the downtown during FY02, including a \$6.5 million renovation of new corporate offices of F & M Bank and an adjacent building that will be renovated for office space. Other future developments include the \$1.2 million renovation of the old McCanless Motor building that will house the Waterworks Visual Arts Center. The City will be busy as well with the development of the Council Street Streetscape, downtown parking, and the Easy Street pedestrian walkway.

As discussed above, the City will be providing water to a new energy plant and to other municipalities in the future. Construction of lines to southern Rowan County will take place during FY02, with hopes of bringing the first town on line by the summer of 2002. Two other municipalities will tie in to the system soon thereafter. The lines to Carolina Power and Light are projected to be in service by March 2003. As part of the construction necessary to accommodate this substantial increase in water sales, the City will also be upgrading its water plant. These and other capital projects will be partially financed by significant contributions from Carolina Power and Light and Rowan County. Other funding will come from the reserves of the Water and Sewer Capital Projects Fund and from the issuance of debt.

The City will continue to implement the Salisbury Vision 2020 Comprehensive Plan in FY02 and for years to come. The Vision 2020 Plan is a policy-based, strategic plan that is nothing less than our community's blueprint for the future. This plan, which builds on the successful completion of the Salisbury 2000 Plan, provides the framework for addressing many issues that will face the City, both now and in the future. The plan seeks to establish standards by which citizens can measure the effectiveness of "Smart Growth" strategies as they are implemented. This plan embodies the direction and desires of citizens from all neighborhoods.

The City will continue to participate in the Benchmarking Project being conducted by the Institute of Government of the University of North Carolina at Chapel Hill. The purpose of this project is to provide an external context in which to examine local government performance. At this point, some police services, street maintenance, residential solid waste collection, and fire services have been and will continue to be evaluated. The City hopes to improve existing service by establishing local government performance measures that can be compared to other municipalities in order to assess our performance. City goal setting, team building, goals evaluation, and determining levels of service will all be enhanced by participating in the implementation of uniform performance measure standards that will allow for a municipality's performance to be assessed.

REPORTING ENTITY

This Report includes all funds, account groups, agencies, commissions, and boards which are dependent on the City or over which the City may exercise control. The City of Salisbury (as legally defined) is considered to be a primary government. Current governmental standards for accounting and financial reporting require inclusion of the primary government as well as its component unit in a published comprehensive annual financial report. The component unit is a legally separate entity for which the primary government is primarily financially accountable or for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The primary government is considered financially accountable if it appoints a voting majority of the organization's governing body; and 1) it is able to impose its will on that organization; or, 2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burden on, the primary government.

The discretely presented component unit, Downtown Salisbury Inc., is reported in a separate column in the combined financial statements to emphasize that it is legally separate from the primary government and to differentiate its financial position, results of operations, and cash flows from those of the primary government.

SERVICES PROVIDED

The City of Salisbury provides a full range of municipal services allowable under State law including law enforcement, fire protection, zoning and code enforcement, recreation centers and parks, cemeteries, street maintenance, sanitation, and water and sewer systems.

GOVERNMENT STRUCTURE

The City employs a Council-Manager form of government as provided in the City's Charter. The governing body consists of five council members, elected on a nonpartisan basis at large for a two-year term. The Council elects the Mayor from among themselves. The Mayor is usually the council member receiving the highest number of votes in the general election. Elections are held in November of odd numbered years. The City Manager (the chief executive officer) is appointed by and serves at the pleasure of the Mayor and Council. The Mayor and Council adopt a balanced budget and establish a tax rate for the support of City services prior to the beginning of each July 1 to June 30 fiscal year. The City Manager administers City programs in accordance with local policy and the annual budget.

ACCOUNTING SYSTEMS AND BUDGETARY CONTROL

In developing and evaluating the City's accounting systems, consideration is given to the adequacies of internal controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

As a recipient of federal and State awards, the City is also responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management.

As a part of the City's single audit described earlier, tests are made to determine the adequacy of the internal control structure, including that portion related to federal and State awards, as well as to determine that the City has complied with applicable laws and regulations. The results of the City's single audit for FY01 provided no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations.

Budgetary control is maintained at the departmental level by the encumbrance of estimated purchase amounts prior to the release of purchase orders to vendors. Purchase orders which result in an overrun of departmental balances are not released until additional appropriations are made available. Open encumbrances lapse at year end and are reinstated against the subsequent year's appropriation. They are shown as a reservation of fund balance at June 30, 2001.

BASIS OF ACCOUNTING

The City's accounting records for governmental funds are maintained on a modified accrual basis whereby revenues are recognized when measurable and available, and expenditures are recognized in the accounting period in which the liability is incurred except for unpaid interest on general long-term debt. Proprietary fund and pension trust fund revenues and expenses are recognized on the accrual basis whereby revenues are recognized in the accounting period in which they are earned, and expenses are recognized in the period in which they are incurred. Fiduciary funds are accounted for on the modified accrual basis, the same as for governmental funds.

FUND ACCOUNTING

Governmental accounting systems should be organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, recording cash and other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or obtaining certain objectives in accordance with special regulations, restrictions, or limitations. Thus a governmental unit is a combination of several distinctly different fiscal and accounting entities, each having a separate set of accounts and functions.

FUND AND ACCOUNT GROUP CATEGORIES

Governmental funds are those through which governmental functions typically are financed. The acquisition, use, and balances of the government's expendable financial resources and the related current liabilities, except those accounted for in the proprietary fund, are accounted for through governmental funds. The governmental fund measurement focus is based upon determination of financial position and changes in financial position (sources, usage, and balances of financial resources), rather than upon net income determination. The statement of revenues, expenditures, and changes in fund balance is the primary governmental fund operating statement. It may be supported or supplemented by more detailed schedules of revenues, expenditures, transfers, and other changes in fund balance.

Proprietary funds are used to account for a government's ongoing organizations and activities which are similar to those found in the private sector. All assets, liabilities, equity, revenues, expenses, and transfers relating to the government's business and quasi-business activities (where net income and capital maintenance are measured) are accounted for through proprietary funds. The generally accepted accounting principles here are those applicable to similar businesses in the private sector; and the measurement focus is upon determination of net income, financial position, and cash flows.

Fiduciary funds are used to account for assets held by governmental units in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. Agency funds are purely custodial in nature and do not measure the results of operations. Pension trust funds are accounted for in essentially the same manner as proprietary funds.

In addition to these three fund types, there is a fourth category of accounting entity, the account groups. Account groups are used to establish accounting control and accountability for the government's general fixed assets and the unmatured principal of the general long-term debt. These two account groups do not, however, account for any fixed assets or unmatured principal of any long-term debt for any proprietary fund.

FINANCIAL MANAGEMENT

The City's financial management program continues to provide the citizens of the City with an approach which has served to enhance the City's excellent financial position by:

1. Investing all available funds not needed on a daily basis in order to maximize interest earnings, and
2. Allocating City resources only to program areas that meet community needs, and
3. Monitoring these program areas to ensure they are carried out within authorized levels.

This financial management program allows the City to achieve its goal of expanded and improved services at a reasonable cost to the citizens of Salisbury. Additionally, the City's bond rating of "A1" by Moody's Investors Service, Inc. and "A+" by Standard and Poor's Corporation was reaffirmed in March 2001. This is a reflection of the City's continued sound financial condition.

EXHIBIT 1

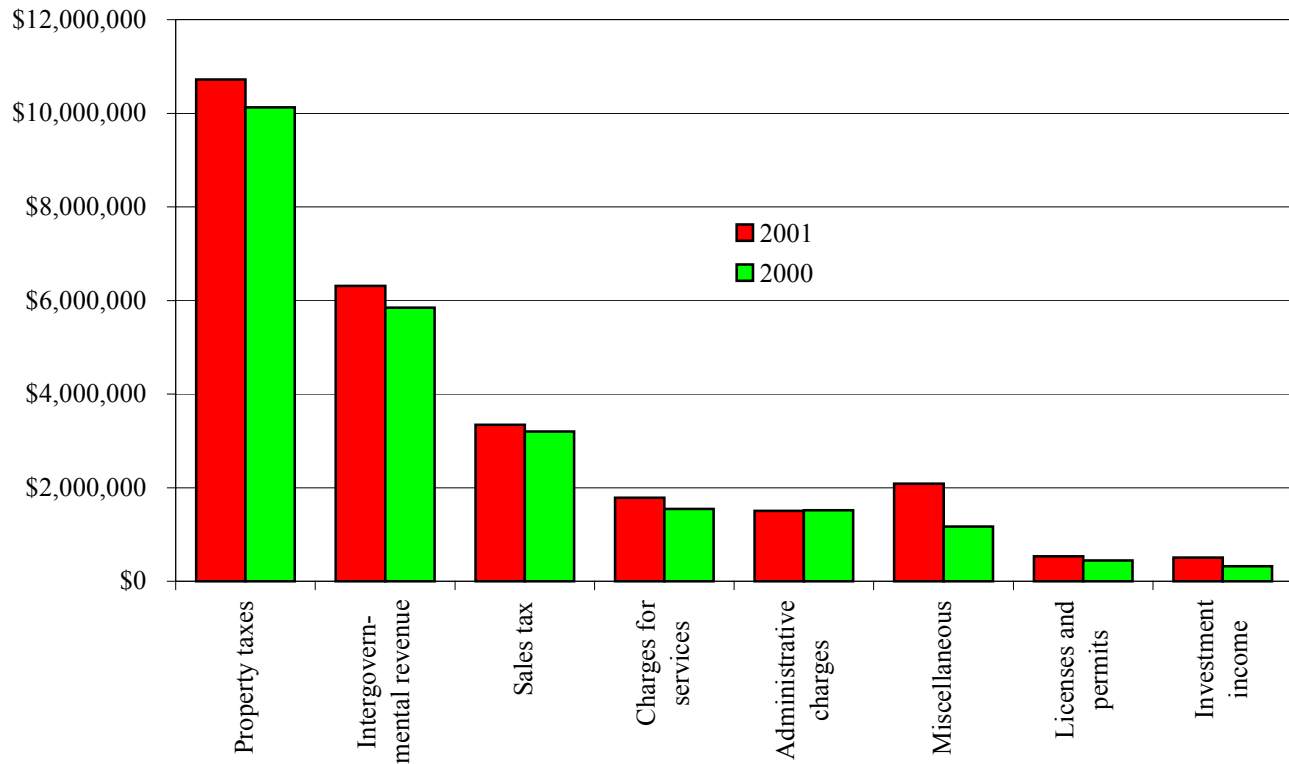
COMPARATIVE SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES GOVERNMENTAL FUNDS

Source	2001				Percent
	Percent of	Fiscal Year Ended June 30,		Increase	Increase
	Total	2001	2000	(Decrease)	(Decrease)
Property taxes, penalties, interest, and other taxes	38.56%	\$ 10,720,050	\$ 10,128,466	\$ 591,584	5.84%
Intergovernmental revenue	22.71%	6,313,050	5,845,542	467,508	8.00%
Sales tax	12.04%	3,346,897	3,203,181	143,716	4.49%
Charges for services	6.41%	1,783,086	1,545,522	237,564	15.37%
Administrative charges	5.42%	1,505,714	1,519,860	(14,146)	(0.93%)
Miscellaneous	7.51%	2,086,805	1,168,321	918,484	78.62%
Licenses and permits	1.92%	533,554	441,422	92,132	20.87%
Investment income	1.83%	508,696	319,773	188,923	59.08%
Total	100.00%	\$ 27,797,852	\$ 24,172,087	\$ 3,625,765	15.00%

(Derived from Statements B-3, C-2 and D-2)

EXHIBIT 2

REVENUES AND OTHER FINANCING SOURCES GOVERNMENTAL FUNDS



REVENUES - GOVERNMENTAL FUNDS

As illustrated in Exhibits 1 and 2, the \$3,625,765 (15.00%) increase in revenues in the City's governmental funds from FY00 was primarily attributable to the additional property tax revenue, intergovernmental revenue, and miscellaneous revenue.

Property Tax Revenues

In FY00 the combination of a tax rate decrease and revaluation of real property created a "tax rate neutral" year. After the "tax rate neutral" year, the City had a three cent tax rate increase in FY01 to sixty (60) cents per \$100 assessed valuation. This increase was necessary due to needs identified in the Police Department's Crime Control Plan, personnel needs in the Fire Development, and recommendations from the Neighborhood Improvement Task Force. The increase in the tax rate created additional current tax levy of approximately \$527,000. Another \$250,000 increase in the tax levy over FY00 was the result of the continued, substantial growth of the City's tax base created by new development. The tax rate for the downtown tax district remained at sixteen (16) cents per \$100 assessed valuation. The tax receipts from the downtown district are utilized by Downtown Salisbury, Inc. for advertising and promotional activities in the district. These tax receipts are accounted for in the Municipal Service District Agency Fund and are not included in Exhibit 1. Total property tax revenue of the City, including prior year collections increased \$591,584 (5.84%).

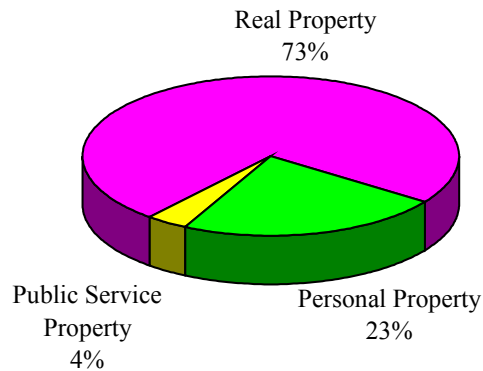
Total assessed valuation increased \$55,840,271 (3.16%) in FY01. Exhibit 3 depicts this increase by types of assessed property, while Exhibit 4 graphically illustrates the City's property tax base.

EXHIBIT 3
ASSESSED VALUATION

Source	2001	Fiscal Year Ended June 30,		Increase	Percent
	Percent of	2001	2000	(Decrease)	Increase
	Total				(Decrease)
Real Property	73.49%	\$ 1,337,944,798	\$ 1,287,042,497	\$ 50,902,301	3.95%
Personal Property	22.95%	417,818,187	409,874,134	7,944,053	1.94%
Public Service Property	3.56%	64,805,231	67,811,314	(3,006,083)	(4.43%)
Total	<u>100.00%</u>	<u>\$ 1,820,568,216</u>	<u>\$ 1,764,727,945</u>	<u>\$ 55,840,271</u>	3.16%

(Derived from Table 5)

EXHIBIT 4
2001 ASSESSED VALUATION



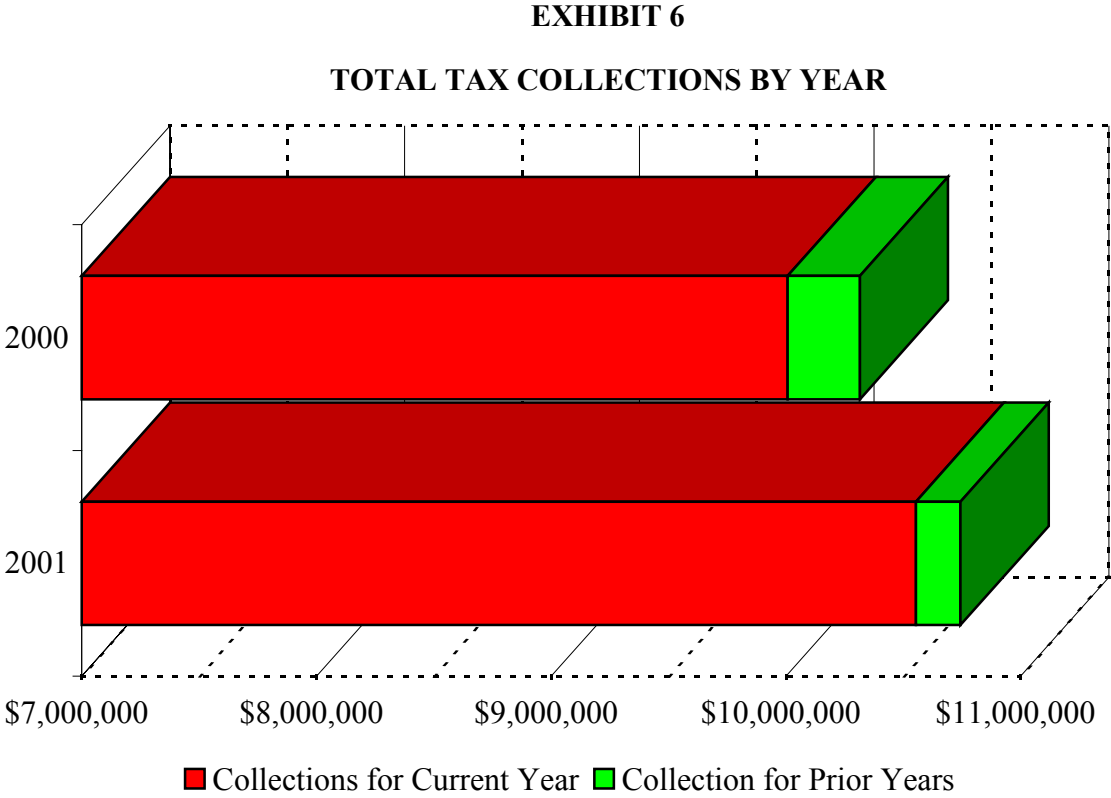
The percentage of current taxes collected in FY01 decreased slightly from FY00. Exhibit 5 compares collections in FY01 and FY00. When all property tax collections are considered, the rate of collection decreased from 100.84% during FY00 to 98.30% in FY01.

EXHIBIT 5
TAX COLLECTIONS

Fiscal Year	Tax Levy	Percent	Percent of
		Collected in	Total
Ended June 30,		Year of Levy	Collected to
			Tax Levy
2001	\$ 10,928,747	96.56%	98.30%
2000	\$ 10,228,809	97.84%	100.84%

(Derived from Table 4)

Exhibit 6 graphically illustrates tax collections for the two years. The collection effort continues for a ten year period, after which any uncollected amount is written off. In FY01, a total of \$19,833 was written off.



Intergovernmental Revenue

Intergovernmental revenues, which are primarily composed of State-shared revenues, increased \$467,508 (8.00%) over FY00. The most significant reason for this increase is a \$904,563 increase in utilities franchise tax revenue in FY01, which was due to the correction of prior period reporting errors from one of the local utilities. That increase was partially offset by a \$466,668 decrease in community development revenues from the U. S. Department of Housing and Urban Development.

Sales Tax

Sales tax revenue comprises 12.04% of the City's total governmental revenues. This year, sales tax revenue increased \$143,716 (4.49%) from FY00. As discussed earlier, the City's local economy has slowed during the past fiscal year. The resulting decrease in sales tax revenue is expected to materialize during FY02.

Investment Income

Interest earned on investments is an important contributing factor in maintaining a stable tax rate. During FY01, \$508,696 earned on investments was the equivalent of more than 2.7 cents on the local tax rate. The increase of \$188,923 from FY00 was made possible by purchasing several investments, and thereby locking in interest rates, prior to the reduction of interest rates by the federal government.

Other Revenues

Miscellaneous revenues, including sale of property, rental of property, donations, and other unclassified revenues, increased \$918,484 (78.62%) in FY01. The majority of this increase is attributable to a \$796,445 increase in recognized donations for the new Salisbury Community Park. Also, miscellaneous revenues increased in the Special Revenue Fund by \$176,824 due to the increased collections on the City's deferred loan program.

EXPENDITURES AND OTHER FINANCING USES - GOVERNMENTAL FUNDS

Total expenditures and other financing uses increased \$1,576,091 (6.24%) during FY01. Total expenditures and other financing uses were \$26,834,928, which is approximately \$3.04 million or 10.16% under budget. Although salaries and fringe benefit costs increased throughout the City, these increases were offset by holding the line on operational expenditures.

EXHIBIT 7

COMPARATIVE SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES GOVERNMENTAL FUNDS

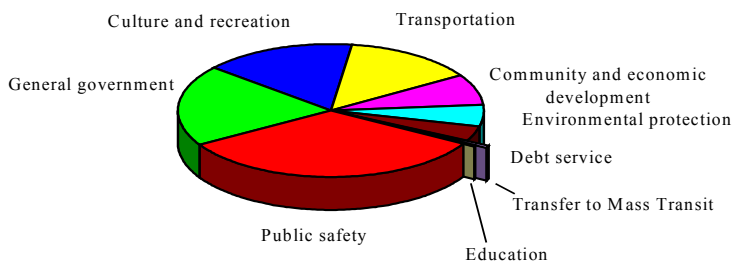
Function	2001	Fiscal Year Ended June 30,		Increase	Percent
	Percent of Total	2001	2000	(Decrease)	Increase (Decrease)
Public safety	33.02%	\$ 8,860,001	\$ 8,938,838	\$ (78,837)	(0.88%)
General government	19.89%	5,336,349	5,418,892	(82,543)	(1.52%)
Culture and recreation	15.92%	4,272,125	2,850,649	1,421,476	49.86%
Transportation	13.87%	3,721,416	3,094,241	627,175	20.27%
Community & economic development	7.53%	2,021,636	2,521,984	(500,348)	(19.84%)
Environmental protection	5.27%	1,413,534	1,394,724	18,810	1.35%
Debt service	3.75%	1,007,243	836,885	170,358	20.36%
Transfer to Mass Transit	0.60%	160,282	160,282	-	-
Education	0.15%	42,342	42,342	-	-
Total	100.00%	\$ 26,834,928	\$ 25,258,837	\$ 1,576,091	6.24%

(Derived from Statements B-2, C-2, and D-2)

Exhibit 7 presents a comparison of expenditures by function, while Exhibit 8 graphically illustrates where the expenditures occurred. A brief analysis of major changes follows.

EXHIBIT 8

EXPENDITURES AND OTHER FINANCING USES GOVERNMENTAL FUNDS – 2001



Public Safety

The City's Public Safety programs include police and fire protection for which expenditures decreased \$78,837 (0.88%) in FY01. Total Police Department expenditures increased \$216,134 or 3.9%. This increase is primarily due to an increase in the number of officers over the past two years. The City did receive \$211,392 from two federal grants to offset the costs of hiring these additional officers. Fire Department expenditures decreased by \$294,971, an 8.6% decrease from the previous year. During FY00 the City purchased a new fire truck for \$595,790. The Fire Department did have an increase in expenditures for salaries and related benefits in the amount of \$341,569 (14.5%). As part of the FY01 budget, City Council approved the hiring of three additional Fire Control Specialists as well as a comprehensive salary adjustment in an effort to get Fire Department's salaries up to market standards.

General Government

General government includes the expenditures of the City Council, City Manager, Finance, Purchasing, Information Technologies, Human Resources, City Office Buildings, Telecommunications, Public Services Administration, and Fleet Management. General government expenditures for FY01 decreased \$82,543 (1.52%). Expenditures for FY00 were unusually high due to renovations to City Hall and the City Office Building totaling \$463,732.

Culture and Recreation

Culture and recreation includes the Recreation and Landscaping departments. All the City's recreation programs, parks, recreation centers, and cultural activities and appropriations are accounted for in the Recreation Department. Culture and recreation experienced an increase in expenditures of \$1,421,476 or 49.86% during FY01. The Recreation Department started two new construction projects during FY01 that were financed by bank loans. As reported in Statement D-2, a total of \$727,486 was spent on these projects. Also, the Recreation Department spent an additional \$1,068,213 on the continuing construction of the new Salisbury Community Park. These additional expenses were funded by various private donations and grants.

Transportation

Transportation expenditures, which include street maintenance and construction, street lighting, and traffic engineering, increased \$627,175 (20.27%) in FY01. Due to the growth of the City's residential and business sectors, more streets have been added for City maintenance. Also, the City, in conjunction with the North Carolina Department of Transportation, has installed a new traffic control system. This growth has led to increased operational expenses, including additional work force, necessary to maintain the high level of service that citizens have become accustomed to.

Community and Economic Development

Expenditures during FY01 decreased \$500,348 or 19.84% in the City's community and economic development programs. These programs are comprised of the City's Community Development Department, Housing and Urban Development (HUD) grant programs, Developmental Services Department, and the Plaza. This decrease in expenditures is mainly due to purchases of real estate totaling \$266,124 and renovations to the Plaza for \$102,124 during FY00.

Environmental Protection

The City's environmental protection programs are comprised of the Solid Waste Management and Cemetery departments. Expenditures increased \$18,810 or 1.35% during FY01. Expenditures for Solid Waste Management were virtually unchanged from the prior year, with only a \$2,526 increase, while Cemetery expenditures increased \$35,946 or 1.9%.

Debt Service

Debt service expenditures increased \$170,358, a 20.36% increase. As discussed in the Notes to the Financial Statements, the City has borrowed funds for large projects or purchases three times since December 1999. Additional FY01 debt payments attributable to this financing totaled \$289,228. At June 30, 2001, the City owed \$2,999,206 on installment purchase contracts. The installment purchase agreements and the City's \$3,025,000 of general obligation bonds issued for various public improvement projects show as debt outstanding in the general long-term debt account group at June 30, 2001. The bonds are backed by the full faith and taxing power of the City. The general obligation bonds and the installment purchases are being retired through the resources of the General Fund.

In addition to these bonds, the City accounts for debt issued for Water and Sewer purposes in the Water and Sewer Fund. Water and Sewer debt at June 30, 2001 includes \$17,360,000 general obligation bonds, \$1,835,000 revenue bonds, and \$15,950,096 State Clean Water bonds. Also, the City has \$4,135,606 in outstanding capital leases incurred for Water and Sewer purposes.

Other Expenditures

The City's supplements to the Salisbury Mass Transit System and the Rowan-Salisbury School System remained unchanged from the FY00 amounts of \$160,282 and \$42,342, respectively.

FUND BALANCE - GENERAL FUND

The \$6,207,192 fund balance in the General Fund at June 30, 2001, is \$748,548 more than the June 30, 2000 balance (see Exhibits 9 & 10). This increase can be primarily attributed to the 12.47% increase in revenues over FY00. Expenditures for the General Funds increased a modest 6.93% over the prior fiscal year.

Funds available for the replacement of vehicles and other capital equipment increased slightly to \$932,573, a 5.54% increase. The portion of fund balance reserved by State statute increased \$638,862 primarily due to an increase in amounts due from other governments. Because of the financial woes of the State of North Carolina, the City did not receive \$512,355 in inventory tax reimbursement for FY01 until after June 30, 2001. The amount reserved for encumbrances is composed of \$373,121 for other obligations not satisfied as of the end of the fiscal year. Unrestricted and undesignated fund balance increased by \$46,424 to \$2,280,405. If the inventory tax reimbursement mentioned above had been received on time, undesignated fund balance would have increased by \$558,779. Such an increase in the City's undesignated fund balance is testimony to the budgetary process through which the efforts of City Council and management to curtail expenditures and to increase or create additional revenue sources are matched to exhibit a fiscally responsible organization.

EXHIBIT 9

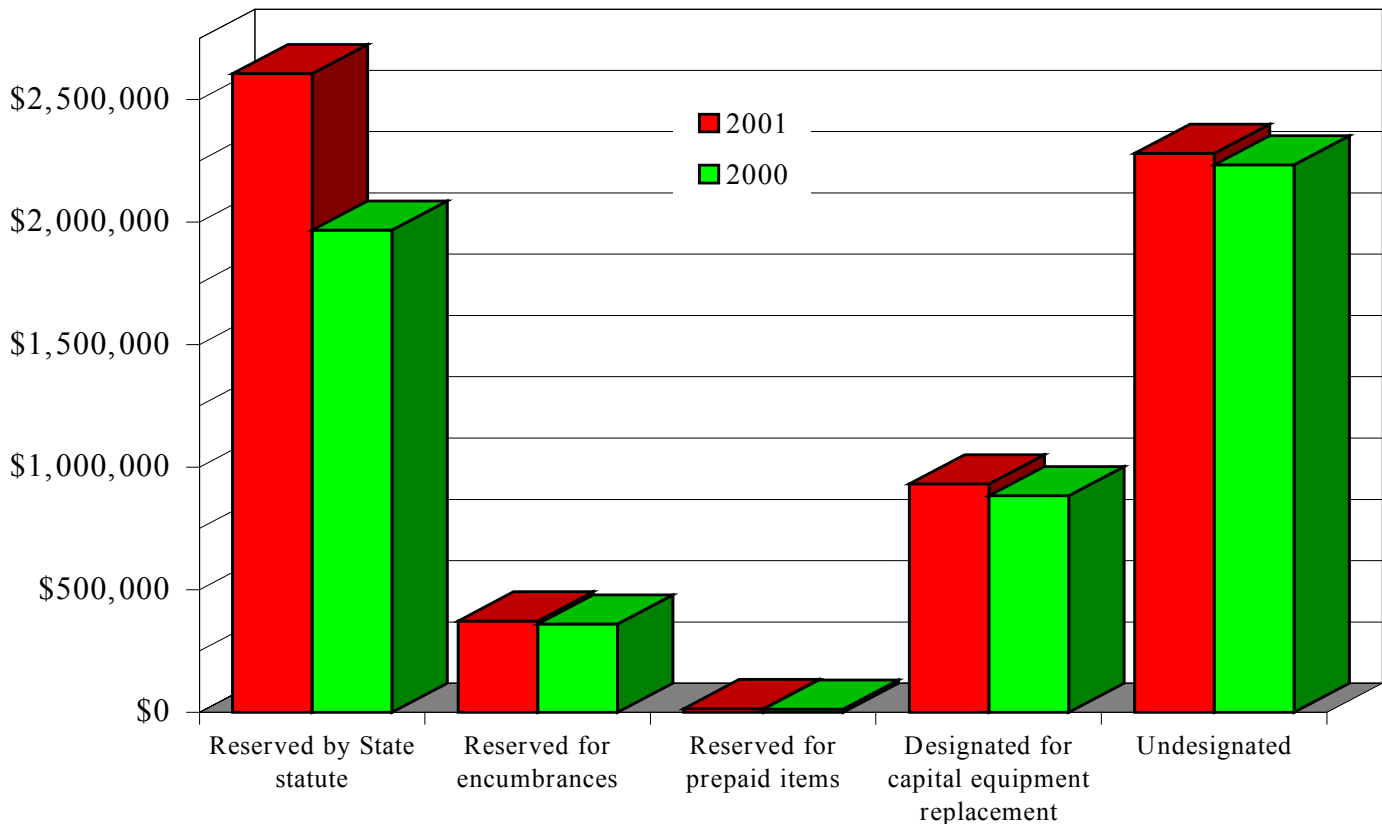
FUND BALANCE
GENERAL FUND

	Fiscal Year Ended June 30,		Increase
	2001	2000	(Decrease)
Reserved by State statute	\$ 2,605,848	\$ 1,966,986	\$ 638,862
Reserved for encumbrances	373,121	360,403	12,718
Reserved for prepaid items	15,245	13,679	1,566
Unreserved:			
Designated for capital equipment replacement	932,573	883,595	48,978
Undesignated	2,280,405	2,233,981	46,424
Total fund balance	<u>\$ 6,207,192</u>	<u>\$ 5,458,644</u>	<u>\$ 748,548</u>

(Derived from Statement B-1)

EXHIBIT 10

COMPARATIVE ANALYSIS OF FUND BALANCE



The City follows a policy of maintaining an adequate fund balance as a safeguard against unforeseen circumstances and to provide a solid foundation for the City's fiscal health. At June 30, 2001, fund balance equaled 25.65% of the General Fund's operating budget for the new fiscal year.

BONDED INDEBTEDNESS

Total outstanding general obligation debt, revenue bond debt, and State Clean Water Bonds at June 30, 2001, totaled \$38,170,096. North Carolina statutes provide that cities may maintain outstanding debt in an amount equal to eight percent (8%) of assessed valuation. The current statutory debt margin for the City is \$118,126,686.

CASH MANAGEMENT

The City's temporary idle cash is invested in interest bearing demand deposits, certificates of deposit, obligations of the U.S. Treasury and federal agencies, bankers acceptances, commercial paper, and the North Carolina Capital Management Trust. All revenues received are deposited the same day in a consolidated interest-bearing bank account. This bank account is drawn upon to meet all payroll and payable obligations, and the City maintains in this account only as much money as is required to meet current obligations. All other idle cash is invested in instruments authorized by the General Statutes of North Carolina. The average yield on investments was 5.98% for the year ended June 30, 2001.

The City's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Accordingly, deposits were either insured by federal depository insurance or collateralized. The City's entire investment portfolio at June 30, 2001, is exempt from risk categorization as defined by the Governmental Accounting Standards Board. All of the City's investment portfolio was invested in the NC Capital Management Trust, an SEC registered mutual fund where the City is only a shareholder of a percentage of the fund and does not own any identifiable securities.

RISK MANAGEMENT

In the efforts to maintain services at a reasonable cost to the citizens of Salisbury, the City has developed and maintained a risk management program that encompasses nearly every aspect of the City's operations. Insurance liability coverage is obtained through a combination of commercial insurers, the insurance pool administered by the NC League of Municipalities, and self-insurance. This approach has allowed the City to obtain maximal amounts of property and liability coverage at the most economical cost.

REVENUE - ENTERPRISE FUNDS

Enterprise funds revenue increased by \$3,822,866 (30.05%) from the previous fiscal year (see Exhibit 11). The majority of this increase is due to capital contributions in the amount of \$2,987,959. Capital contributions are comprised principally of the Town of Spencer's contribution of its water and sewer utilities to the City. Excluding capital contributions, enterprise funds revenue increased by \$834,907 or 6.6% over FY00. The revenue other than capital contributions increased in the Water and Sewer Fund by \$736,291 (5.9%), due mainly to increased water and sewer rates. Increased rates over the past two fiscal years have help to minimize the effect of several plant closings. Revenues in the Mass Transit Fund increased \$98,616 (31.38%). Transit fare revenues decreased slightly by \$1,480 (1.86%) from the prior year. Other revenues increased \$100,096 (42.63%) due to increased funding from the State of North Carolina.

EXHIBIT 11

COMPARATIVE SCHEDULE OF REVENUES ENTERPRISE FUNDS

Source	2001		Fiscal Year Ended June 30,		Increase (Decrease)	Percent Increase (Decrease)
	Percent of Total	2001	2000			
Water and Sewer:						
Charges for services	72.76%	\$ 12,037,258	\$ 11,405,780	\$ 631,478	5.54%	
Capital contributions	18.06%	2,987,959	-	2,987,959	100.00%	
Other revenues	6.68%	1,105,906	1,001,093	104,813	10.47%	
	<u>97.50%</u>	<u>\$ 16,131,123</u>	<u>\$ 12,406,873</u>	<u>\$ 3,724,250</u>	<u>30.02%</u>	
Mass Transit:						
Charges for services	0.47%	\$ 78,014	\$ 79,494	\$ (1,480)	(1.86%)	
Other revenues	2.02%	334,874	234,778	100,096	42.63%	
	<u>2.50%</u>	<u>\$ 412,888</u>	<u>\$ 314,272</u>	<u>\$ 98,616</u>	<u>31.38%</u>	
Total	<u>100.00%</u>	<u>\$ 16,544,011</u>	<u>\$ 12,721,145</u>	<u>\$ 3,822,866</u>	<u>30.05%</u>	

(Derived from Statement E-2, E-5, and E-6)

EXPENSES - ENTERPRISE FUNDS

Enterprise expenses increased \$459,978 (3.44%) over the prior fiscal year as shown in Exhibit 12. Water and Sewer Fund expenses, including depreciation, increased \$358,302 (2.79%). Administration and operations costs decreased by \$251,802 and \$81,332, respectively from FY00. These decreases are the results of several cost-cutting measures implemented during the year to offset unrealized budgeted revenues. Interest expense increased by \$310,834 from FY00 due to the City's takeover of the Town of Spencer's water and sewer system and new debt payments on State Clean Water Bond Loans issued in June 2000. Mass Transit Fund expenses, including depreciation, increased \$101,676 or 19.32%. This increase is due largely to the increase of fuel and maintenance costs. This increase was partially offset by \$75,688 in additional maintenance assistance funds from the State of North Carolina.

EXHIBIT 12

COMPARATIVE SCHEDULE OF EXPENSES ENTERPRISE FUNDS

Function	2001		Fiscal Year Ended June 30,		Increase (Decrease)	Percent Increase (Decrease)
	Percent of Total	2001	2000			
Water and Sewer:						
Administration	17.16%	\$ 2,375,764	\$ 2,627,566	\$ (251,802)	(9.58%)	
Operations	45.21%	6,259,841	6,341,173	(81,332)	(1.28%)	
Interest	12.79%	1,771,224	1,460,390	310,834	21.28%	
Depreciation	20.30%	2,810,729	2,430,127	380,602	15.66%	
	<u>95.46%</u>	<u>\$ 13,217,558</u>	<u>\$ 12,859,256</u>	<u>\$ 358,302</u>	<u>2.79%</u>	
Mass Transit:						
Administration	0.98%	\$ 135,322	\$ 124,023	\$ 11,299	9.11%	
Services	3.33%	461,354	368,945	92,409	25.05%	
Depreciation	0.23%	31,272	33,304	(2,032)	(6.10%)	
	<u>4.54%</u>	<u>\$ 627,948</u>	<u>\$ 526,272</u>	<u>\$ 101,676</u>	<u>19.32%</u>	
Total	<u>100.00%</u>	<u>\$ 13,845,506</u>	<u>\$ 13,385,528</u>	<u>\$ 459,978</u>	<u>3.44%</u>	

(Derived from Statement E-2, E-4, and E-6)

FUND EQUITY - ENTERPRISE FUNDS

Water and Sewer Fund equity, as shown in Exhibit 13, increased by \$2,913,565 while the Mass Transit Fund equity decreased by \$54,778 during FY01. The Water and Sewer Fund equity increase was primarily due to the City's takeover of the Town of Spencer's water and sewer system. The decrease in Mass Transit fund equity was due to the increase in operational costs in excess of increased funding from the North Carolina Department of Transportation.

EXHIBIT 13

FUND EQUITY ENTERPRISE FUNDS

	<u>2001</u>	<u>2000</u>	<u>Increase (Decrease)</u>
Water and Sewer:			
Contributed capital	\$ 32,023,460	\$ 32,023,460	\$ -
Retained earnings	<u>27,789,677</u>	<u>24,876,112</u>	<u>2,913,565</u>
	<u>\$ 59,813,137</u>	<u>\$ 56,899,572</u>	<u>\$ 2,913,565</u>
Mass Transit:			
Contributed capital	\$ 1,490,621	\$ 1,490,621	\$ -
Retained earnings	<u>(1,279,728)</u>	<u>(1,224,950)</u>	<u>(54,778)</u>
	<u>\$ 210,893</u>	<u>\$ 265,671</u>	<u>\$ (54,778)</u>
Total fund equity	<u>\$ 60,024,030</u>	<u>\$ 57,165,243</u>	<u>\$ 2,858,787</u>

(Derived from Statement E-4 and E-8)

INTERNAL SERVICE FUNDS

The City maintains two internal service funds for the purpose of providing services to the City's other operational funds. These funds are the Workers' Compensation Fund and the Employee Health Care Fund.

The City is self-insured for workers' compensation claims with an excess policy. The Workers' Compensation Fund is used to account for monies provided by the City and interest earnings on those monies to provide funds for major workers' compensation claims. The City incurred \$118,882 in claims during the year, which required the use of City funds but not our excess policy. FY01 claims increased \$81,846 from the prior year. FY00 expenses in the Workers' Compensation Fund were unusually low compared with other recent years. The City maintains a constant vigilant effort to hold costs to a minimum through the City's active development of risk reduction activities. These include reviewing employee accident reports, employee accident prevention training, employee health awareness activities, and newsletters to employees.

The City also is self-insured for its employee health care policy. Premiums are established for the various classes (individual, parent-child, and family) of health care annually. The City deposits its contribution together with the amounts withheld from employees' compensation into the Employee Health Care Fund monthly. All claims for benefits under the City's health care policy are paid from this Fund. The City also maintains specific stop loss coverage of \$60,000 per employee annually and an aggregate stop loss of 120% in excess of anticipated claims. During the year, the City incurred no excess benefit claims where the specific stop loss was applied. Claims for the year were \$314,863 (16.55%) higher than last year. The Fund strives to

maintain a balance in excess of the incurred but not reported claims estimate. However, as of June 30, 2001, cash and investment balances were less than the incurred but not reported claims estimate.

FIDUCIARY FUNDS

The City maintains three fiduciary funds: Boards and Commissions and Municipal Service District funds, which are agency funds, and the Law Officers' Special Separation Allowance Fund, a pension trust fund.

A municipal service district was established in Salisbury in 1986 together with a non-profit company named Downtown Salisbury, Inc. to administer the disbursement of funds received by the district. The City levies a tax rate of sixteen cents per \$100 assessed valuation on this special tax district. The Municipal Service District Fund is used to account for the collection of this tax and the remittance of it to Downtown Salisbury, Inc. During the year, the City remitted \$97,605 to Downtown Salisbury, Inc. from the Municipal Service District Fund.

The Boards and Commissions Fund is used to accumulate and disburse funds earned by the Community Appearance Commission and the Tree Board. At June 30, 2001, they had a balance of \$2,093 available for their use.

The Law Officers' Special Separation Allowance Fund was established to account for the pension activities mandated by State statute under the Law Enforcement Officers' Special Separation Allowance. The Fund accounts for contributions made by the City to provide for pension benefits, interest earnings on these monies, and the disbursement of pension amounts. During FY01, the City paid \$24,036 in pension benefits. The City conducts an actuarial review of the Plan on an annual basis and adjusts the required contributions to the Fund at the beginning of each fiscal year.

CONCLUSION

The City of Salisbury has been fortunate to continue to experience rates of growth in its revenue base from taxable valuation during FY01. This growth was sufficient to accommodate expenditures during the year and maintain favorable fund equity.

As we look ahead to the future in the Water and Sewer Fund, significant construction will begin to expand the water plant capacity and extend the water distribution system. A historic Joint Agreement between Rowan County and Salisbury establishes the Salisbury water and sewer system as the primary utility provider for Rowan County. As a result of this Agreement, a new water distribution line will be built to serve the southern end of the County including the municipalities of China Grove, Landis, and Kannapolis. Rowan County, with whom the City has water sales agreements, will fund this new line. The water treatment plant will have its capacity expanded from twelve million gallons per day to 28 million gallons per day. New water distribution lines will be built along the Highway 70 corridor to serve new industry. More than half of the cost of these two projects will be funded through a public/private agreement with a new industrial customer who is locating along the Highway 70 corridor. The City believes that the water sales along these new distribution lines will provide sufficient revenues to stabilize the water and sewer rates and place the Water and Sewer Fund on solid ground.

The future holds many uncertainties. Federal and State mandates continue to severely press local governments in all areas of operations. The citizens of Salisbury have come to expect and appreciate the high level of service they enjoy. The management of the City is necessarily charged with managing its resources in the best possible manner to deliver those services at a cost citizens will agree to bear. As long as revenue growth rates do not decline unexpectedly; the costs of providing services do not escalate more rapidly than in previous years; and the City continues to evaluate all existing and potential revenue options, including

annexations, we can accomplish this task. It will not be easy, but few challenges are. All City operations are being asked to contribute to the focused effort to maintain our ability and readiness to respond to our citizens. We have made it happen before, and we will make it happen again. Overall, continued growth and policy adjustments that have been initiated by City Council will continue to provide the City a stable financial position from which we may serve the citizens of Salisbury for years to come.

ACKNOWLEDGMENTS

We wish to thank the Mayor, City Council and the City Manager for the support and trust they have given the Finance Department. On behalf of the team of the Finance Department, we promise our continued dedication to proving ourselves worthy of their support and trust. We are confident that together we can provide the citizens of Salisbury with responsible and progressive financial management.

For the preparation of this Report, the City is especially indebted to Myra B. Heard, Finance Specialist, Mark D. Drye, Productivity Analyst, and Renee A. Pierson, Accountant. Without their assistance, this Report could not have been prepared on a timely basis.

Each year, we strive to prepare a financial report which provides a meaningful analysis and disclosure of the City's financial activities and financial position. We believe this Report conforms substantially to the standards of financial reporting of the appropriate professional organizations.

Respectfully submitted,

John A. Sofley, Jr.
Finance Director

S. Wade Furches
Accounting Manager

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Salisbury,
North Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2000

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

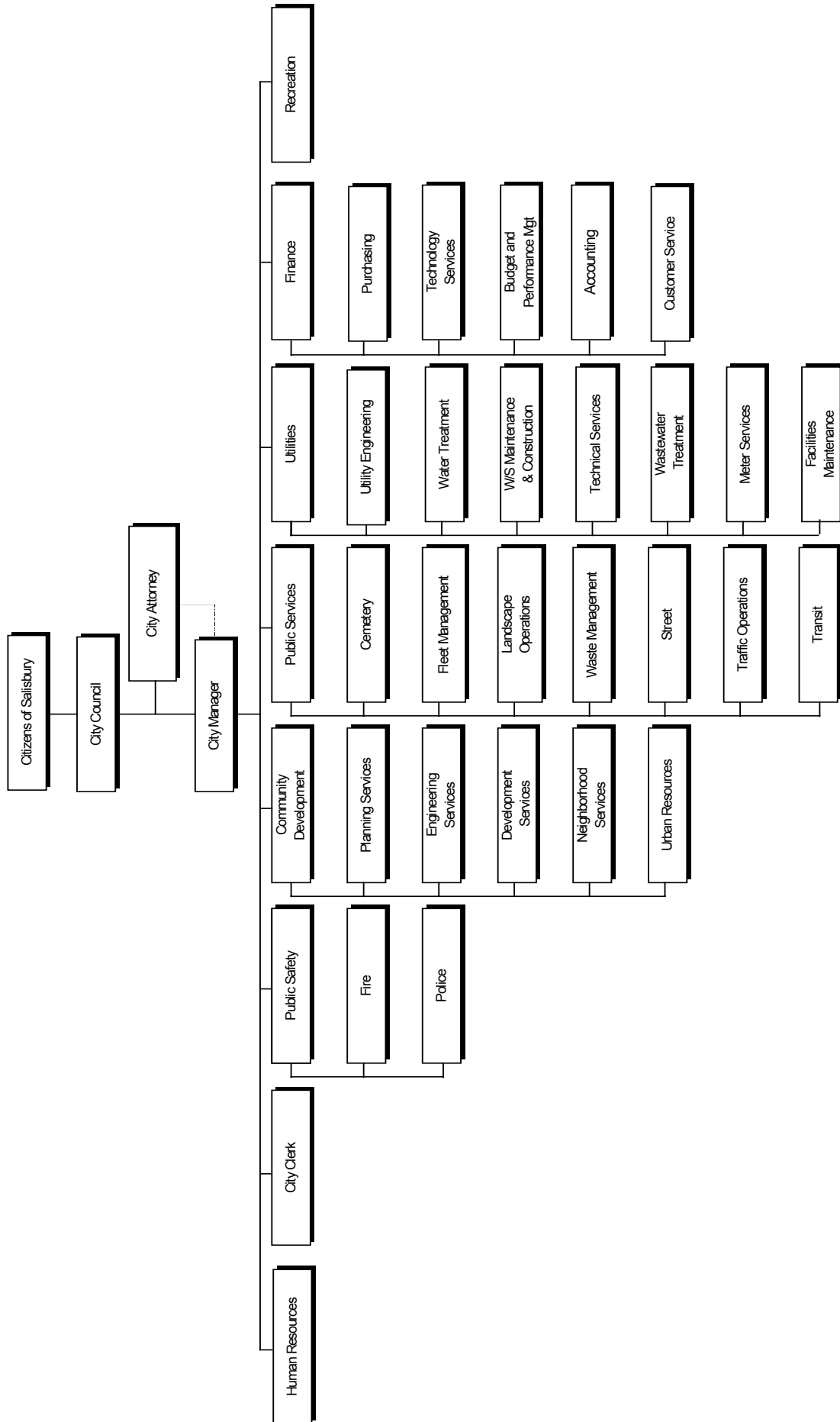


Smith Brewer
President

Jeffrey L. Essler
Executive Director

CITY OF SALISBURY

ORGANIZATIONAL CHART



CITY OF SALISBURY
LIST OF PRINCIPAL OFFICIALS

June 30, 2001

Mayor	Susan W. Kluttz
Mayor Pro Tem	Paul B. Woodson, Jr.
Council Member	William R. Burgin
Council Member	William R. Kennedy
Council Member	R. Scott Maddox
City Manager	David W. Treme
Assistant City Manager	J. Foster Owen
City Clerk	Swanetta B. Fink
Finance Director	John A. Sofley, Jr.
Fire Chief	Samuel I. Brady
Land Management and Development Director	Larry W. Chilton
Technology Services Manager	C. Michael Crowell
Human Resources Director	Melissa H. Taylor
Police Chief	M. Chris Herring
Public Services Director	Vernon E. Sherrill
Purchasing Agent	Dewey D. Peck
Recreation Director	Gail Elder-White
Utilities Director	John C. Vest
Assistant Utilities Director	H. Matthias Bernhardt

FACTS AND INFORMATION ABOUT THE CITY OF SALISBURY, NORTH CAROLINA

LOCATION

Salisbury, the county seat of Rowan County, is located in the heart of the beautiful Piedmont area; the industrial heart of the State. Salisbury is located midway between Charlotte and Winston-Salem, 296 miles from Atlanta, Georgia and 368 miles from Washington, D.C.

CLIMATE

The climate of the Salisbury area is moderate, a definite advantage to those who live and work here. The massive mountains of Western North Carolina form a natural barrier against the cold east-west winds. While definitely southern in climate, Salisbury is far enough north, and has sufficient altitude to escape the humid summers of many other southern regions. Extremes in climate are very rare and short-lived. In winter the high temperature is about 50 degrees, with a low around 32 degrees. The total snowfall is normally about 6 inches each year. In the summer, the high averages about 87 degrees, with a low of 66 degrees.

POPULATION

The population of the City of Salisbury has increased steadily during the past decade. This is due to both annexations and internal growth stimulated by the local economy. Population currently is estimated to be 26,462 based upon the latest United States census.

HISTORY

Scotch-Irish, who originally settled in Lancaster County, Pennsylvania, moved down the "Great Wagon Road" 435 miles to Trading Ford on the Yadkin River to become the first settlers in Rowan County.

The County of Rowan was established in 1753. At this time, Rowan included all territory north to Virginia and east to what we know now as Guilford County and west to the mountains. Eventually, 26 counties were formed from Rowan. Rowan County was named for Matthew Rowan, acting governor for the colony in 1753.

The deed for Salisbury is dated February 11, 1755. The court center, called prior to this time Rowan Court House, was a bustling little village of seven or eight log cabins, a court house, jail and pillory, according to Governor Arthur Dobbs who visited here in late 1755.

The Court House dates to 1753 and consists of deeds, marriages, and miscellaneous records of value. Papers formerly in the Clerk's Office such as the early court minutes are stored at the State Department of Archives in Raleigh. Familiar names in American history adorn these records.

Andrew Jackson, Richard Henderson, William R. Davis, Daniel Boone, Lord Cornwallis, Richard Caswell and many other prominent local families as the Barkleys, Hoovers, and Polks, all ancestors of presidents or vice-presidents, appear time and again in the deeds and court minutes of the county.

Two years before the national Declaration of Independence and one year before the Mecklenburg Declaration of Independence, a group of patriotic citizens of Rowan County, serving as a Committee of Safety, on August 8, 1774, adopted the Rowan Resolves containing the pioneer element toward liberty and independence from Britain. These resolves reached the highest note of any passed in the colony in calling for the abolishment of the African Slave trade and urging the colonies to "unite in an indissoluble union and association". These resolves are located in the State Archives and are the only ones of the many passed in this period that are preserved.

So many legends and lifestyles have been passed down over the passage of time. Daniel Boone began his exploration of the Blue Ridge Mountains from here in Salisbury. Near the present-day library, is the small office where Andrew Jackson studied law and was admitted to the bar before he moved westward.

For all the struggles and hardships our ancestors endured, they have provided Salisbury with character and a rich heritage.

GOVERNMENT

The City of Salisbury's government is organized according to the Council-Manager form of government. The City Council, which formulates policy for the Administration of the City, together with the Mayor, constitutes the governing body of the City. The five (5) members are elected to serve two (2) year terms of office. The Mayor is elected from the five (5) Council members. The Mayor presides at City Council meetings. Also, a Mayor Pro Tem is elected by City Council members from the five (5) to serve as Mayor during her absence or disability.

The City Council appoints the City Manager to serve as the City's Chief Executive Officer. The City Manager is responsible for implementing the policies of the City Council, directing business and administrative procedures, and appointing departmental officers. At the present time, the City Manager is assisted by the City Clerk and eight staff departments: Finance, Human Resources, Fire, Police, Land Management and Development, Public Services, Parks and Recreation, and Public Utilities. The City provides a full range of municipal services allowable under State law including law enforcement, fire protection, zoning and code enforcement, recreation centers and parks, cemeteries, street maintenance, sanitation, and water and sewer systems.

UTILITIES

Salisbury operates its own water and sewer system. The Yadkin River, which forms the northeast boundary of Rowan County, provides Salisbury with an abundant supply of good water. The average daily flow is nearly 2 billion gallons per day, and the minimum recorded one-day flow is 300 million gallons. The Salisbury water system, conventional in design and closely controlled, has a treatment capacity of 12 million gallons per day. Average daily usage during 2001 was 6.23 million gallons per day. The filter plant is designed for expansion as needed to 18 million gallons per day by adding pumping and settling capacity. An arterial system of distribution mains has been constructed to assure maximum fire protection to all parts of the city.

The Salisbury water system supplies three smaller towns in the County, Spencer, East Spencer, and Granite Quarry, and has been extended to a number of industrial sites well beyond the city limits. Additionally, Salisbury operates and maintains the well system for the Town of Rockwell. The water supply meets all federal and State quality requirements. Salisbury's water is fluoridated on a continuing basis. Salisbury's two wastewater treatment facilities serve as the area's regional wastewater utility with service expansion to the towns of Landis, China Grove, East Spencer, Granite Quarry, and Rockwell. Total daily treatment capacity in 2001 was 12.5 million gallons. Average daily treatment in 2000 was 7 million gallons per day.

The City of Salisbury owns and operates the water and sewer utility systems in Granite Quarry, Rockwell, and Spencer and their surrounding area.

Other utilities are provided by Duke Energy Corporation, Piedmont Natural Gas Company, Bellsouth

Telephone, CT Communications, and Time Warner Cable.

TRANSPORTATION

Salisbury, nearly the geographic and population center of North Carolina, is located on Interstate Highway 85, 42 miles from Charlotte, 53 miles from Greensboro and 38 miles from Winston-Salem. It is the crossroads of I-85, U.S. 29, 52, 70, 601 and N.C. 150. Over 3 million people live within 90 miles of Salisbury, 1.5 million within 55 miles and 60% of the population of the United States within an overnight truck haul. The seaports of Wilmington, Morehead City, Charleston, and Norfolk are less than a one-day truck haul away.

Rowan County Airport, three (3) miles from downtown Salisbury, has a 5,800 ft. x 100 ft. paved and lighted runway. Hangar space and private plane servicing are available.

The major commercial airports at Charlotte and Greensboro-High Point are less than an hour's easy drive from Salisbury. These airports provide excellent service to all parts of the United States via United, USAirways, Delta, TWA, Continental, and American Airlines. There are also direct flights available to London and Frankfurt.

Bus service is provided by Carolina Trailways and Greyhound with daily arrivals and departures. Their service also includes parcel shipments. Local bus service is provided by the City's Transit System.

Amtrak provides rail transportation with service on the Piedmont and the Carolinian from New York City to Charlotte, North Carolina. Arrivals and departures are from The Depot, a renovated station of the Salisbury Railroad Station Depot, originally built in 1907.

MOTELS

An ideal area for small conventions, Salisbury has eleven (11) motels, with over 1,028 rooms, and two (2) bed and breakfast establishments in our historic district.

EDUCATION

Salisbury is home to two (2) colleges and a technical college. Catawba College has thirty (30) buildings comprising a physical plant unsurpassed in the East for a college of this size and style. It has a total enrollment of 1,300 Liberal Arts Co-ed students and is affiliated with the United Church of Christ. Catawba College was founded in Newton, North Carolina in 1851, and opened in Salisbury in 1925.

Livingstone College was founded in 1879, and has 900 Liberal Arts Co-ed students. It is supported by the African Methodist Episcopal Zion Church; Hood Theological Seminary is located at Livingstone.

Rowan-Cabarrus Community College offers two-year educational programs leading to the associated degree in applied science. In addition, one-year diploma programs are offered in five fields. There is a total enrollment of approximately 3,500 full-time students.

In addition to the Salisbury-Rowan public school system, there are several private and church related elementary schools.

ARTS AND ENTERTAINMENT

The cultural atmosphere of the Salisbury area is significantly enriched by the outstanding programs of Catawba and Livingstone Colleges and the other colleges in the area. Each year the Catawba College Shuford School of Performing Art brings a minimum of four musical events to Salisbury. Catawba's fine Drama department offers several professional type drama productions each year. Livingstone College also has a cultural series that brings artists to the community as well as an excellent drama group, The Julia B. Duncan Players.

The Piedmont Players, a community little theater organization, provides excellent entertainment as well as a chance to participate in both its acting and technical activities. They have completely restored the historic Meroney Theater, built in 1905. This theater provides a home for the Players and other performing artists.

The Salisbury-Rowan Symphony, consisting of musicians from the area, presents four concerts each season. In addition to participation in the regular concert series, the string quartet of the Salisbury Symphony visits the elementary schools to present programs. The object of this mini-concert series is to give the students some knowledge of music and famous composers.

Rowan-Cabarrus Community College participates in the North Carolina Visiting Artist Program. Each year a professional artist is employed and in residence at the college. Concerts and musical programs are provided regularly by many artists throughout the state as well as the Visiting Artist. In addition, Rowan-Cabarrus Community College sponsors a Folk Heritage Center. This center serves as a network for professional and local folk artists and presents classes, concerts, and other folk artist activities for the general public.

COMMUNITY FACILITIES

Salisbury is served daily by The Salisbury Post. Four (4) radio stations provide for local programming. Although there are no local television stations, WBTV operates a satellite newsroom located in Salisbury. Local reception provides coverage of all major networks in addition to cable television facilities.

A full-time year-round recreation staff offers activities for both young and old. In addition to organized activities, the City provides several parks and facilities for general use.

The new Salisbury Community Park celebrated its Grand Opening in the spring of 2001. Completed projects at the 314 acre Community Park include baseball/softball fields and soccer fields. Current construction in process includes a concession and restroom area, an 8.5 acre lake, walking trails and more baseball/softball fields.

City Park has a completely equipped playground, tennis courts and a five (5) acre lake for fishing. Salisbury has a Civic Center with weight room, racquetball courts, auditorium, tennis courts and a handicap exercise trail.

Kesley-Scott Park is a fifteen (15) acre park located on Old Wilkesboro Road. Jaycee Sports Complex is a multi-use area with four (4) ball fields.

Hurley Park is a municipal garden which has a unique collection of plants to the area. The Park provides an educational experience as well as a pleasurable place to stroll.

SPECIAL EVENTS

Each year, the Salisbury-Rowan Chamber of Commerce presents the National Sportscasters and Sportswriters Awards Program. The program has been a big success in the past, and has become even more popular due to the completion of a new Hall of Fame in the fall of 2000. The National Sportscasters and Sportswriters Awards Program has attracted great national attention to the City. Each year nationally renowned sportscasters and sportswriters visit Salisbury to attend the annual awards program.